



Mark Connolly  
Director

# State of New Hampshire

## Department of State Bureau of Securities Regulation

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June 3, 2009

Oswald J. Gruebel  
Group Chief Executive Officer  
UBS AG  
Bahnhofstrasse 45,  
CH-8001 Zurich, Switzerland

Dear Herr Gruebel:

I am writing to you directly to ask management at UBS to be more involved in working with securities regulators in addressing investor complaints. For the past year, the New Hampshire Bureau of Securities Regulation has been trying to resolve a fraud claim surrounding UBS Securities, LLC. Essentially, the Bureau alleges in an August 2008 Cease and Desist order that the New Hampshire Higher Education Loan Corporation (NHHELCO) was misled by UBS in terms of the Auction Rate Securities market (document attached).

During 2007-2008 New Hampshire participated with other states in addressing claims against UBS on behalf of retail investors. These efforts led to the \$22 billion Global Settlement for investors and \$150 million fine. New Hampshire's 2008 filing against UBS Securities, LLC is a different matter, involving a claim of breach of fiduciary responsibility.

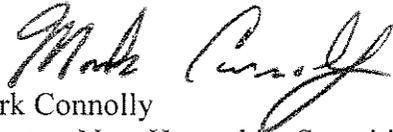
Most recently, the Bureau has filed a Cease and Desist Order (document attached) against UBS Financial Services, Inc for unfair sales practices. Retail investors were sold so-called structured products, including principal protected notes linked, for example, to Asian currency derivative instruments. These notes were backed by Lehman Brothers, which of course went bankrupt in September of 2008.

Like many financial service companies today, UBS is struggling to make its way in a much-changed financial world. I applaud the company's public admission to investors last year that it has problems in its management structure and that it is seeking to re-align its business accordingly. I am contacting you to suggest that UBS take a more proactive and constructive approach in working with regulators and quickly resolve its outstanding regulatory issues. The current environment demands changes, and the current approach by UBS of using outside counsel to address regulatory questions, with no

apparent contact by UBS management with regulators, is leading to delayed responses and unduly defensive posturing. We can both agree that this is not constructive.

If meaningful changes are not forthcoming to resolve outstanding issues, further sanctions beyond just fines and investor restitution may be warranted. I ask you to take a leadership role at this critical juncture in redefining investor protection.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Connolly". The signature is fluid and cursive, with the first name "Mark" and last name "Connolly" clearly distinguishable.

Mark Connolly  
Director, New Hampshire Securities Bureau